



KENNETH A. GIBSON
MAYOR
NEWARK, NEW JERSEY
07102

November 9, 1983

Hon. John P. Caufield
Senator
1086 South Orange Avenue
Newark, New Jersey 07106

Dear Senator Caufield:

Like every municipality in New Jersey, Newark does not have a 100% tax collection rate.

In the last few years, we have boosted our rate to 85%. As you know, the City acts as the agent for collecting county taxes, school taxes and Passaic Valley Sewerage Authority costs. Thus, the City collects the taxes for not only its own municipal purposes (police, fire, sanitation), but also for the County of Essex and the Board of Education. In addition, the City must pay the Passaic Valley Sewerage Authority the full amount that PVSA assesses as the City of Newark's share of total costs. The City pays 100% of the PVSA assessment out of its real estate tax collections.

Similarly, the City must pay 100% of its County tax levy and 100% of its Board of Education bill. The City has a collection rate of only 85%, but must remit 100% of these obligations.

If a taxpayer is delinquent and does not pay his or her property taxes to the City, the City still must cover that property owner's obligation for County taxes, Board of Education costs and PVSA costs. Obviously, the money is made up from the City's municipal purposes portion of the tax levy. This costs the City millions of dollars every year.

The 1983 tax rate in Newark is \$11.64. Of that amount, less than \$3.00 was for municipal purposes. As far as the average taxpayer is concerned, he or she is paying the City \$11.64 and getting reduced municipal services. The City takes the blame for high taxes, but in reality, the non-City entities are forcing the rate up.

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Having the City raise and collect taxes for the County, Board of Education and PVSA puts these entities in the enviable position of being guaranteed 100% payment while exerting absolutely no effort for collection. In addition, these entities are not encouraged to live within a budget for which the taxpayer holds them accountable because there is no direct paying relationship between the taxpayer and the entity. To compound this, none of these entities suffers from the shortfall caused by less than 100% collection rates. They are insulated from that problem because the City must pay them 100% despite not being able to collect 100%. They do not have to curtail their services or cut their budgets due to delinquent taxpayers. The shortfalls are made up by the City from its municipal purposes funds. This results in less money for the City to deliver municipal services, while other entities are guaranteed a 100% revenue stream.

I respectfully request that you introduce legislation which would help alleviate this problem. Specifically, the City of Newark needs legislation which would require that non-City entities share in any shortfall caused by non-collection of property taxes. If the City collects 85%, it should pro-rate its remittances to the County, Board of Education and PVSA by paying them 85% of their assessments for the City.

As another option, I would like to see legislation requiring each non-City entity to be responsible for levying and collecting its own taxes directly from the property owners. This would also encourage accountability. The County should bill property owners directly and collect their taxes directly as should the Board of Education and PVSA.

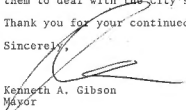
In addition, the City would greatly benefit from legislation remedying a related problem. The City must pay the County taxes for City-owned properties, even though the City does not collect any taxes on these properties. These City-owned properties should be removed from the County tax tables and the City should not be penalized by having to make up the County taxes from its own budget. After all, New Jersey's counties do not pay municipalities any municipal purposes taxes on county properties, even though those properties use municipal services.

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We are again facing a new tax year in which we will have to curtail municipal services while taxes are going up. I am in the difficult position of having to take responsibility for inflationary and expansionary factors beyond my control. If the legislation I am requesting were enacted, I could assure the people of Newark continued municipal services for a reasonable price. Without that legislation, I must tell the people that fewer services will cost them more. It is time to end the free ride for non-City entities and force them to deal with the City's taxpayers who are supporting them.

Thank you for your continued cooperation.

Sincerely,



Kenneth A. Gibson
Mayor

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